GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

MA & UD — Creation of Special Purpose Vehicle (SPV) in Guntur Municipal Corporation in the name and style of "Guntur Urban Infrastructure Development Corporation Ltd." for Development of Infrastructure Projects in the City —Orders — Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UI) DEPARTMENT

G.O. Ms. No.5 Dated:02.01.2017

Read the following:-

1. G.O. Ms. No. 132 & 133, MA &UD UBS)Dept. , Dt.24.5.2016.
2. Letter from the Chief Executive Officer, APUIAML., Vijayawada Lr.No.APUIAML/ GoAP/ 06 / 2016-17Dated:13-10-2016.
3. G.O.Ms.No.319, MA&UD (UI) Dept., Dated 07.12.2016.

ORDER:

The Andhra Pradesh Urban Development Fund (APUDF) has been created vide G.O. 1st read above with an objective to attract private investment for leveraging Project Finance and Private Sector Participation in developing Urban Infrastructure Projects in the Urban Local Bodies in the State on Commercial/ PPP models . The composition, structure and functioning of the APUDF have also been approved vide G.O. 3rd read above. One of the ULBs in the State which requires project finance support through APUDF is Guntur Municipal Corporation and such project finance can be efficiently accessed, utilized through a Special Purpose Vehicle to be created at the ULB level. Besides, the Special Purpose Vehicle is considered to perform functions of developing, executing, monitoring and maintaining the infrastructure projects and also act as a specialized arm for the Guntur Municipal Corporation.

2. In his letter second read above, the Chief Executive Officer, APUIAML, Vijayawada has submitted an Approach Note for creation of Special Purpose Vehicle for Guntur Municipal Corporation for implementation of Infrastructure Projects taken up through APUDF. Comprehensive Sewege Development Scheme in Guntur sanctioned under one time financial assistance by Government of India is one of the projects identified to extend project finance through the APUDF.

3. Government, in the above circumstances and after careful examination, hereby create the Special Purpose Vehicle in the name and style of **"Guntur Urban Infrastructure Development Corporation Limited"** under the Companies Act, 2013 for developing, designing, executing, monitoring the Urban Infrastructure Projects taken up through APUDF and also any other PPP project.

The objectives and structure of the Special Purpose Vehicle:

1. One of the major objectives of creation of the SPV is to ensure operational independence and autonomy in decision making during the project implementation and operations. SPV may be empowered with the decision making powers by the Guntur Municipal Corporation in conformity with the Municipal Act.

2. The project with private capital would strengthen the institutional arrangements and would bring accountability, ownership and reforms would also bring in good service delivery. The management structure shall also bring efficiency due to performance linked payments.

3. Cost Recovery and Financial Sustainability: Financial sustainability requires that the SPV can manage its operations from connection charges, user fees and sale of treated sewage. In the long run, it is expected that such revenues will be sufficient to finance at least the operating costs. While the GMC will have to backstop revenue shortfalls through revenue support, the SPV shall strive to achieve full recovery of at least the O&M costs. This would require the SPV to continuously improve efficiency, optimize costs and enhance revenues.

4. Timely Project implementation and recovery of the operational and maintenance expenditure and part recovery of the capital expenditure.

5. Accountability and efficiency in the water supply and sewerage system of city with the objectives towards service delivery

6. The Special Purpose Vehicle shall be a 50-50 JV between GMC and GOAP and shall be subject to improved transparency and governance with well-defined responsibilities for the directors and clear financial reporting and auditing requirements. The SPV shall also be empowered for effective and fast decision making.

7. Initial paid up capital: Rs.5 lakh which may be enhanced if required .

8. Raising of Funds: State Govt/GoI contribution for an identified project shall be transferred to the SPV through the APUDF as equity/equity equivalent etc. The SPV may also access funds from other sources such as equity/quasi equity debt, loans, user charges, taxes, surcharges, etc. as per the delegation of the powers through the APUDF.

9. Raising finance on project finance basis supported by GoI grants and GMC income ,other than water supply and sewerage revenue, to bridge the gap if any.

10. Divestment of the stake of the SPV at appropriate time .

4. The Guntur Urban Infrastructure Corporation Limited shall be managed by Board of Directors consisting as follows:

1.	The District Collector, Guntur		Chairman
2.	The Commissioner, Guntur Municipal Corporation (Representative of Municipal Corporation under promoter Category)	_	Director
3.	Superintending Engineer, Public Health	-	Director
4.	Nominee from APUDF		Director
5.	And other 11 members to be nominated by the Respective Authorities in State Government, ULB and Government of India.		Directors

The CEO to be appoInted from the open mark et.

5. Government, also hereby nominate the following officers as initial shareholders of the above Special Purpose Vehicle (SPV) with number of shares as shown against them each.

Sl. No.	Shareholder	No. of share of Rs.10/- each
1.	H.E. the Governor of Andhra Pradesh represented by Principal Secretary, MA & UD, Govt. of AP	24,997
2.	The Commissioner and Director of Municipal Administration, GoAP, Hyderabad	1
3.	The Engineer-in-Chief , Public Health Department, GoAP	1
4.	The Director of Town and Country Planning, GoAP	1
5.	Guntur Municipal Corporation represented by its Commissioner.	24,997

6.	The Additional Commissioner, Guntur Municipal Corporation	1
7.	The Examiner of Accounts, Guntur Municipal Corporation	1
8.	The Superintending Engineer, Guntur Municipal Corporation	1
	TOTAL :	**50,000**

6. The role and responsibilities of various parties are as follows:

I. Govt. of Andhra Pradesh:

1. Provision of the financial assistance through GOI contribution to project
2. Approval on the Business Plan and formation of SPV
3. Equity participation for incorporation of SPV
4. Nominate the directors on the board of the SPV
5. Approval on the Reforms, change in bye-laws etc.
6. Approval on the Proposed Project Structure and issuance of the orders to make it effective

II. Guntur Municipal Corporation

1. Formation of Special Purpose Vehicle
2. Equity participation in incorporation of SPV
3. Nominate the director on the board of the SPV
4. Transfer of Project Assets to SPV for Development and Maintenance
5. Provide financing support, if required as per the agreed business plan
6. Authorise SPV to collect the various charges levied on the users by way of modification in bye-laws etc.
7. Recommendation to Government for user charge revisions etc. and issue necessary orders thereto
8. Monitor and hand hold the SPV for better implementation of the project

III. Special Purpose Vehicle

1. Project Financing and achieving Financial Closure for the Project
    a. Finalizing an optimal financing structure leveraging on Government Grants
    b. Tying up the balance funding requirements for achieving financial closure
    c. Debt servicing and repayment

2. Project Development & Implementation to ensure timely completion of project as per the agreed timelines
    a. Design Review

b. Supervision and Monitoring
c. Compliances, Approvals and Clearances

3. Operation & Maintenance
    a. Service Delivery
    b. Key Performance Indicators Monitoring
    c. Citizen Interface

4. Revenue and Recovery
    a. Collection of various Charges as authorised by the GMC
    b. Revenue from sale of treated waste water and sludge as authorised by the GMC
    c. Tariff recommendation for approval by Competent Authority on periodic basis

5. Reforms and Capacity Building
    a. Advice GMC on reforms required to enhance project sustainability and improve service delivery
    b. Undertake capacity building activities

IV. APUDF:

1. Finance the Project in line with the investment criteria of the Fund
2. Member of Board of Directors of SPV

V. APUIAML

a. Provide services to GMC in formation and incorporation of SPV

b. Provide services to the SPV in carrying out the project development, DPR preparation, bid process management, financial closure, project implementation management and capacity building activities

c. To act as Lender's Engineer on behalf of APUDF

d. Support GMC for enhancing its credit worthiness and creating avenues for revenue enhancement

e. Prepare and submit the business plan of SPV to GMC / GoAP for approval

f. Marketing of the project towards bringing Private Capital for the project as per the agreed business plan

g. Recommend reforms and any other special requirements as demanded by the lenders/ investors

h. Periodic monitoring of the SPV and GMC accounts and reporting to the investors

7. The Commissioner, Guntur Municipal Corporation, Guntur, the Engineer-in-Chief(PH), A.P., Gorantla, Guntur and the Chief Executive Officer, A.P. Urban Infrastructure Asset Management Company Ltd. shall take further necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R. KARIKAL VALAVEN
PRINCIPAL SECRETARY TO GOVERNMENT

To

The Commissioner, Guntur Municipal Corporation, Guntur
The Engineer-in-Chief(PH), A.P., Gorantla, Guntur
Chief Executive Officer, A.P. Urban Infrastructure Asset Management Company Ltd., 0/o. AMRC Building, Kausalya, Gum madi Gopala Rao Street, Labbipet, Vijayawada.
Copy to:
The P.S. to Spl. C.S. to C.M.
The P.S. to M (MA)
The P.S. to Chief Secretary to Government.
The P.S. to Prl. Secy. to Govt., MA & UD
The MA & UD (UBS) Dept.
Sc/sf

// FORWARDED :: BY :: ORDER//

SECTION OFFICER